

Message Text

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SUBJECT: SOVIET ECONOMIC ASSISTANCE FOR ETHIOPIA

REF: ADDIS ABABA 1830

1. SPEECH BY SOVIET AMBASSADOR ANATOLI RATANOV, ON 35TH ANNIVERSARY (APRIL 21) OF ESTABLISHMENT OF DIPLOMATIC RELATIONS BETWEEN THE SOVIET UNION AND ETHIOPIA, CONTAINED EXTENSIVE REFERENCES TO ETHIO-SOVIET ECONOMIC AND TECHNICAL COOPERATION.

2. BEGINNING IN 1959, PAST SOVIET ASSISTANCE TO ETHIOPIA, ACCORDING TO RATANOV IN "ETHIOPIAN HERALD" ARTICLE OF APRIL 21, INCLUDE A CREDIT OF 250 MILLION BIRR (US\$125 MILLION) TO FINANCE THE CONSTRUCTION OF THE ASSAB OIL REFINERY AND A THERMO-ELECTRICAL STATION, AS WELL AS TECHNICAL ASSISTANCE IN THE OPERATION OF THE REFINERY. OTHER PROJECTS MENTIONED AS FINANCED BY THE USSR ARE THE POLYTECHNIC INSTITUTE (1963) FOR 1000 STUDENTS AT BAHR DAR, TURNED OVER AS A GIFT TO THE ETHIOPIAN PEOPLE AND THE SCIENTIFIC PHYTOPATHOLOGICAL INSTITUTE (1977) AT AMBO. IN CONNECTION WITH THESE PROJECTS, SOME 55 SOVIET EDUCATORS AND 20 SOVIET SCIENTIFIC WORKERS
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AND ENGINEERS ARE CURRENTLY WORKING IN ETHIOPIA.

3. NEW PROJECTS TO BE INITIALED UNDER A PROTOCOL SIGNED MAY 1977 IN MOSCOW INCLUDE THE FURTHER ELABORATION OF A RECENTLY COMPLETED FEASIBILITY STUDY FOR THE DEVELOPMENT OF 60,000 HECTARES IN THE LOWER AWASH VALLEY, THE EXPANSION OF TWO DAIRY FARMS, THE ESTABLISHMENT OF A MILK PROCESSING PLANT AT

BAHR DAR, THE COMPLETION OF FEASIBILITY STUDIES INVOLVING GEOLOGICAL SURVEYING, AND THE PROVISION OF TECHNICAL EXPERTS IN VARIOUS GOVERNMENT ORGANIZATIONS. TOTAL FINANCIAL ALLOCATIONS FOR ECONOMIC AND TECHNICAL COOPERATION UNDER THE 1977 PROTOCOL WILL AMOUNT TO 250 - 300 MILLION BIRR (US \$125-150 MILLION).

4. COMMENT: REFTEL NOTES APRIL 20 SUBMISSION TO PMGSE OF PRELIMINARY FEASIBILITY STUDY OF LOWER AWASH VALLEY PROJECT JUST COMPLETED BY THE SOVIETS, THE TOTAL COST IMPLEMENTATION OF WHICH ALONE WAS ESTIMATED AT 600 MILLION BIRR (US \$300 MILLION), DOUBLE THE AMOUNT MENTIONED BY RATANOV. MOST OF THE PROJECTS NOW BEING DISCUSSED BY THE SOVIETS HAVE BEEN UNDER DISCUSSION FOR THE PAST SEVERAL YEARS. WHILE THERE MAY HAVE BEEN SOME PROGRESS IN IMPLEMENTING THESE LONG DISCUSSED PROJECTS, REALIZATION IS STILL A LONG WAY OFF. ALTHOUGH THE SOVIETS ARE SLOW IN ACTUALLY EXPENDING ASSISTNACE FUNDS, THE POTENTIAL AMOUNTS UNDER DISCUSSION ARE IMPRESSIVE. CERTAINLY AID OFFERS FROM THE EAST ARE BEGINNING TO RIVAL AMOUNTS HERETOFORE AVAILABLE FROM THE WEST. THIS UNDOUBTEDLY STRENGTHENS THE HAND OF THOSE IN PMGSE WHO ARE OPPOSED TO WESTERN AID LINKAGES, (THOSE WHO, FOR EXAMPLE, RESIST HAVING PMGSE SIGN NEW AID AGREEMENTS WITH U.S.). IDEOLOGICALLY, PMGSE CAN INSIST THAT COMMUNIST AID FULLY CONFORMS LIMITED OFFICIAL USE

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TO REVOLUTIONARY GOALS, ALTHOUGH IT IS INTERESTING THAT SUCH AID IS FOCUSED ON AGRO-INDUSTRY, STATE FARMS AND TECHNICAL INSTITUTIONS, AND NOT ON THE PEASANTRY. THE RUSSIAN EMPHASIS ON STATE-CONTROLLED ECONOMIC TRANSFORMATION RATHER THAN MASS-ORIENTED AGRICULTURAL DEVELOPMENT MAY ALSO ATTRACT THE PMGSE POLITICALLY AS BEING THE MORE DRAMATIC PATH TO A MODERNIZED ECONOMY. THE KEY ELEMENT MISSING IN THE HIGHLY PUBLICIZED COMMUNIST AID PROGRAMS IS ANY REFERENCE TO TERMS. COMMUNIST AID IS NOT CHEAP. RUSSIAN TECHNICIANS IN ETHIOPIA MUST BE PAID FOR IN HARD CURRENCY AT US \$2,000 PER MONTH; EASTERN BLOC LOANS, WHILE AT LOW INTEREST RATES OF AROUND 2-1/2 PERCENT, HAVE VERY SHORT REPAYMENT PERIODS. ETHIOPIAN IDEOLOGUES DO NOT WORRY APPARENTLY OVER THIS ASPECT OF THEIR NEW TIES WITH THE "PROGRESSIVE" CAMP, BUT THE LONG RUN IMPLICATIONS FOR ETHIOPIAN DEPENDENCY ARE SIGNIFICANT. THE DANGERS ARE APPARENT AT LEAST TO ETHIOPIAN TECHNOCRATS, EVEN IF THEY DARE NOT VOICE THEIR CONCERNS.

5. LATE ITEM. A SHORT CLARIFICATION PUBLISHED IN

THE "ETHIOPIAN HERALD" OF APRIL 23 STRESSED THAT THE
600 MILLION BIRR MENTIONED REFTEL IS THE TOTAL COST
"IF THE PROJECT IS TO MATERIALIZE", AND NOT RPT NOT
THE AMOUNT THE SOVIET UNION IS TO FINANCE. (COMMENT:
THE AMOUNT OF AID PROMISED BY THE COMMUNISTS REMAINS
IMPRESSIVE DESPITE THIS "CLARIFICATION". PERHAPS
MOST NOTEWORTHY IS THAT THE CLARIFICATION WAS ISSUED
AT ALL. IT COULD INDICATE BEHIND THE SCENE POLICY
DIFFERENCES ARE ADVERSELY AFFECTING COMMUNIST AID
DECISIONS).
MATHERON

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